

SEC FLASH REPORT

No. 2006-14

To: All Assurance Professionals	Date: December 21, 2006
Re: SEC Finalizes Delay in 404 Compliance Date for Nonaccelerated and New Filers	From: Liza Prossnitz Jeff Lenz

On December 15, 2006, the Securities and Exchange Commission further delayed the Section 404 of the Sarbanes-Oxley Act (404) compliance dates for nonaccelerated and new filers. The SEC had proposed the deferral on September 29, 2006, and the rules were adopted substantially as proposed.

The Commission postponed the 404 compliance date for nonaccelerated filers, both domestic and foreign. The deadline for an issuer's management to report on internal control over financial reporting is extended five months to fiscal years ending on or after December 15, 2007. The SEC rule release noted that if the Commission has not issued additional guidance for management on how to assess internal control over financial reporting in sufficient time, it will consider postponing this compliance date. Management's report included in a nonaccelerated filer's annual report during the filer's first year of Section 404 compliance is deemed furnished rather than filed.

The SEC provided further relief to nonaccelerated filers by extending the date that issuers are required to provide an auditor's report on the issuer's internal control over financial reporting seventeen months to fiscal years ending on or after December 15, 2008. The Commission added a requirement that nonaccelerated filers clearly disclose in management's report that management's assessment of internal control has not been attested to by the auditor, if it is providing only management's report during its first year of complying with Section 404. The SEC rule release noted that it will also consider postponing this date further after considering the anticipated revisions to the PCAOB's Auditing Standard No. 2.

The SEC also postponed the 404 compliance date for newly public issuers. The 404 deadline for newly public issuers to provide management's report on internal control over financial reporting and to provide an auditor's report on internal control is extended one year to the filing of the newly public issuer's second Form 10-K.

On September 29, 2006, the SEC adopted rules that deferred compliance for 404 auditor reporting for accelerated foreign private issuers. As a result:

- The deadline for accelerated foreign private issuers to provide an auditor's report on internal control over financial reporting was extended one year to fiscal years ending on or after July 15, 2007. The deadline for an accelerated foreign private issuer's management to report on internal control over financial reporting remains unchanged at fiscal years ending on or after July 15, 2006.

- The deadline for large accelerated foreign private issuers to comply with 404 was retained. The deadline for management and auditor reporting on internal control over financial reporting remains at fiscal years ending on or after July 15, 2006.

To maintain consistency, the SEC adopted the same disclosure for accelerated foreign private issuers that initially report on management’s report on internal control over financial reporting without an auditor’s report. That is, the Commission added a requirement that accelerated foreign private issuers clearly disclose in management’s report that management’s assessment of internal control has not been attested to by the auditor, if it is providing only management’s report during its first year of complying with Section 404.

The final rules are summarized in the table below.

INTERNAL CONTROL OVER FINANCIAL REPORTING

	Due Date Before the Amendment	Extended Due Date	Due Date Before the Amendment	Extended Due Date
Type of Filer	Management Reporting		Auditor Reporting	
Rules Finalized in December	Fiscal years ending on or after			
Nonaccelerated Issuer	July 15, 2007	Dec. 15, 2007	July 15, 2007	Dec. 15, 2008
Newly Public Issuer	First 10-K	Second 10-K	First 10-K	Second 10-K
Rules Finalized in September				
Accelerated Foreign Private Issuer	July 15, 2006	Unchanged	July 15, 2006	July 15, 2007
Large Accelerated Foreign Private Issuer	July 15, 2006	Unchanged	July 15, 2006	Unchanged

To view the SEC’s rulemaking release and press release covering these actions, click on the following links:

<http://www.sec.gov/rules/final/2006/33-8760.pdf>

<http://www.sec.gov/news/press/2006-210.htm>